



On the cover

Keep calm, don't expect quick fixes and above all don't start a trade war with China: leader, page 11. A possible path to peace, page 71. The Big Mac's verdict, page 72. China does not know where to put all of its dollars, page 72

The Economist online

Daily analysis and opinion from our 19 blogs, plus audio and video content, debates and a daily chart Economist.com/blogs

E-mail: newsletters and mobile edition Economist.com/email

Print edition: available online by 7pm London time each Thursday Economist.com/print

Audio edition: available online to download each Friday Economist.com/audioedition

The Economist

Volume 397 Number 8704

First published in September 1843 to take part in "a severe contest between intelligence, which presses forward, and an unworthy, timid ignorance obstructing our progress."

Editorial offices in London and also: Bangkok, Beijing, Berlin, Brussels, Cairo, Chicago, Delhi, Frankfurt, Hong Kong, Jerusalem, Johannesburg, Los Angeles, Mexico City, Moscow, New York, Paris, San Francisco, São Paulo, Tokyo, Washington

7 The world this week

Leaders

- 11 **The global economy**
How to stop a currency war
- 12 **News Corporation**
Clouding over the Sky
- 12 **Drugs and violence**
Mexican waves, Californian cool
- 14 **Islamic law and democracy**
Sense about sharia
- 16 **Public-sector pensions**
Three-trillion-dollar hole

Letters

- 18 **On the American constitution, cyberwar, Brazil's elections, David Bowie, teachers' unions, Trident**

Briefing

- 24 **Organised crime in Mexico**
Under the volcano

Asia

- 27 **North Korea's succession**
Spinning the wrong 'Un
- 28 **The Philippines' president**
Noyoy's welcome stand
- 29 **Japan's judiciary on trial**
Prosecutors or persecutors?
- 29 **India's cricket scandals**
A high-stakes game
- 32 **Kyrgyzstan's election**
Teetering steppes
- 32 **Developing Afghanistan**
Now the splurge
- 34 **Banyan**
The Nobel peace prize

United States

- 35 **Health care**
Coming back to bite him
- 36 **The Rockies**
The mile-high battle
- 37 **Marijuana in California**
An altered state
- 37 **The economy**
It's all up to the Fed
- 38 **A new national security adviser**
Out goes the general

- 39 **Prisons and phones**
Bricking the intruders
- 39 **Poverty in the suburbs**
Mortgage or food
- 40 **Lexington**
An own goal on gay rights

The Americas

- 41 **Chile's mine rescue**
Plucked from the bowels of the earth
- 42 **Mario Vargas Llosa**
A Latin American liberal
- 42 **Canada's foreign policy**
Snubbed

Middle East and Africa

- 43 **Arab elections**
Not much of a choice
- 44 **Bahrain's pre-election jitters**
Backward steps
- 45 **Israel and its Arabs**
Pulled apart
- 46 **South Africa's diplomacy**
Human rights? What's that?

Europe

- 47 **Anglo-French defence co-operation**
Entente or bust
- 48 **France's strikes**
Struck off
- 48 **The western Balkans**
Outsiders needed
- 49 **Hungary's toxic sludge**
Waltzing with disaster
- 49 **Italy's Northern League**
Not so grim up north
- 50 **European energy**
The abominable gas man
- 51 **Charlemagne**
The European Union budget

Britain

- 53 **University finance**
The price of learning
- 54 **Philanthropy**
The giving game
- 55 **The rise of Sky**
No wonder they're scared
- 56 **Bagehot**
The ascent of judges



Mexico Three things to stop the gangs: better police in Mexico, stricter gun laws in America and legal pot in California: leader, page 12. The drugs trade's effect on Mexico, pages 24-26. California's marijuana initiative, page 37



Sharia in the West Islamic judges are not about to take over the West. It is still worth enforcing the supremacy of secular law: leader, page 14. Sharia law is hard to reconcile with Western legal codes, page 57. The Muslim Brotherhood runs in Egypt, page 43



North Korea It will take more than fireworks and gymnastics to maintain the Kim dynasty's grip, page 27. China's predictably tolerant response to Liu Xiaobo: Banyan, page 34



Public-sector pensions

American states have promised their employees benefits they can't afford: leader, page 16. A crushing pensions bill, pages 67-68. Old-age tensions: Buttonwood, page 75



Fatness When—not just what—mice eat affects how much weight they put on. Could light affect us too? Page 79



Stalin and Hitler They pushed each other on. Our review of a controversial but compelling history of Europe's era of mass murder, page 81

International

- 57 **Sharia in the West**
Whose law counts most?
- 58 **Islam's legal lexicon**
How to speak sharia
- 59 **When referendums work**
Vox pops
- 59 **Law, politics and internet addresses**
tough.ly/treated

Business

- 61 **Nuclear power in America**
Constellation's cancellation
- 62 **Renewable electricity**
Not just wind
- 62 **Vaccines**
A smarter jab
- 63 **Business in Iraq**
Of bribes, bullets and bargains
- 63 **Innovation in China**
Patents, yes; ideas, maybe
- 64 **Consumer goods**
Basket cases
- 65 **Accountancy firms**
A conflict of interest?
- 65 **Gymboree**
Bain's baby bet
- 66 **Schumpeter**
The business of sharing

Briefing

- 67 **American states' pension funds**
A gold-plated burden

Finance and economics

- 71 **Currency wars**
Fumbling towards a truce
- 72 **China's reserves**
In need of a bigger boat
- 72 **The Big Mac index**
An indigestible problem
- 73 **Foreclosuregate**
Robostop
- 74 **Indonesian banks**
Profits puzzle

- 74 **Sovereign-debt managers**
Rollover roulette
- 75 **Buttonwood**
Age-related spending
- 76 **Corn prices**
Another commodity spike
- 76 **The IASB's new leaders**
Double entry
- 77 **Economics focus**
The Nobel prize

Science and technology

- 78 **Psychiatric diagnosis**
Thesis, antithesis, synthesis
- 79 **Obesity**
Does light make you fat?
- 79 **Education**
Learning difficulties
- 80 **Anti-censorship**
Hidden truths
- 80 **SpaceShipTwo**
Glide path to success?

Books and arts

- 81 **Hitler and Stalin**
Mass murder in the bloodlands
- 82 **Steve Schwarzman**
King of capital
- 83 **The company town**
Monuments to power
- 83 **Humanitarian aid**
The crisis caravan
- 84 **Medieval France**
Slouching towards the Renaissance

Obituary

- 85 **Norman Wisdom**
The last of the knockabouts

- 97 **Economic and financial indicators**
Statistics on 42 economies, plus closer looks at global hunger and credit-default swaps



Next week

We publish a special report on Turkey. It has made astonishing progress in the past decade, says John Peet. But how will it fare if the IMF and the EU are not there to keep it on the straight and narrow?

Principal commercial offices:

25 St James's Street, London SW1A 1HG
Tel: 020 7830 7000 Fax: 020 7839 2968/9
Boulevard des Tranchées 16
1206 Geneva, Switzerland
Tel: 41 22 566 2470 Fax: 41 22 346 9347
750 3rd Avenue, 5th Floor, New York, NY 10017
Tel: 1 212 541 0500 Fax: 1 212 541 9378
60/F Central Plaza
18 Harbour Road, Wanchai, Hong Kong
Tel: 852 2585 3888 Fax: 852 2802 7638

Other commercial offices:

Chicago, Dubai, Frankfurt, Los Angeles, Paris, San Francisco and Singapore

Subscription service

For our latest subscription offers, visit Economist.com/offers. You can also subscribe by mail, telephone or fax at the details provided below:

Telephone: +65 6534 5166
Facsimile: +65 6534 5066
Web: Economist.com/offers
E-mail: EconomistAsia.Subs@quadrantsubs.com
Post: The Economist
Subscription Centre,
Tanjong Pagar Post Office
PO Box 671
Singapore 910817

Subscription for 1 year (51 issues)

Hong Kong	HKS 1,680	Thailand	US\$230
Australia	A\$365	Japan	Yen 34,500
Malaysia	US\$180	India	US\$123
Singapore	S\$365	New Zealand	NZ\$390
Other countries	Contact us as above		

An Economist Group business



PEFC certified

This copy of *The Economist* is printed on paper sourced from sustainably managed forests certified by PEFC www.pefc.org

